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1 REPUBLICAN FIELD BRIEFING
2 U.S. SENATE COMMITTEE ON
3 ENVIRONMENT AND PUBLIC WORKS
4

5 Briefing held on Tuesday, August 5, 2014, at
6 the East Baton Rouge Parish Council Chamber, 222 St.
7 Louis Street, Room 348, Baton Rouge, Louisiana,
8 commencing at 9:30 a.m.
9

10 APPEARANCES:

11 The Honorable DAVID VITTER, United States
12 Senator from the State of Louisiana

13 The Honorable WILLIAM CASSIDY, United States
14 Congressman from the State of Louisiana

15 SHERRI LEBAS, Secretary, Louisiana Department
16 of Transportation and Development

17 MICHAEL VINCE, Air Permits Division,
18 Louisiana Department of Environmental Quality, and
19 President of the Association of Air Pollution Control
20 Agencies

21 JOSEPH MASON, Ph.D., Hermann Moyse,
22 Jr./Louisiana Bankers Association Endowed Professor of
23 Banking, Louisiana State University, and Senior Fellow,
24 The Wharton School
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1 SENATOR VITTER: If I could ask everyone to
2 take a seat. We are going to get started.

3 Thanks to everybody for being here
4 today for a very important and critical topic to
5 economic opportunity and the future of Louisiana.

6 As the lead Republican on the Senate
7 Environment and Public Works Committee, I have
8 organized this briefing entitled: Louisiana Jobs
9 and Economic Growth in Jeopardy. How EPA's
10 Upcoming Ozone Standards Will Harm Our State.

11 I think, unfortunately, that's an
12 appropriate title given the serious nature of the
13 impacts Louisiana would experience as a
14 consequence of the recent proposal the EPA is now
15 considering. I welcome to this briefing my
16 colleague, Congressman Bill Cassidy. Bill,
17 thanks for being here.

18 Today's witnesses are here to speak on
19 the challenges EPA's Clean Air Science Advisory

20 Committee is presenting our state with the
21 recommended compliance range on ozone. And we
22 are fortunate today to have an especially
23 credible panel that can speak directly on job
24 loss, opportunity loss, and infrastructure
25 challenges the new standard would present.

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1 I'm going to introduce them in a
2 minute, but I'd also like to recognize the LDEQ
3 Secretary, Peggy M. Hatch, who is joining us
4 today, though not as a witness. I'd like to
5 thank the Secretary for her ensuring Louisiana is
6 engaged on a number of critical issues pertaining
7 to the federal government and, in particular, the
8 EPA's efforts to expand federal control in
9 Louisiana.

10 Let me also thank my colleague again,
11 Congressman Cassidy, who is fully participating
12 in the briefing.

13 The Obama Administration continues to
14 build its excessive regulatory regime across all
15 sectors of the American economy, from health care
16 to energy production, and this ultimately hurts
17 our economy and competitiveness, job growth, and
18 our small businesses. Central to this effort is
19 the EPA.

20 As I'm sure most of us here today know,
21 the EPA is currently in the process of reviewing
22 the ozone National Ambient Air Quality Standard
23 which was set at 75 parts per billion in 2008.
24 EPA will most likely propose the revised standard
25 in December, reducing that current standard to

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1 within a range of 70 to 60 parts per billion.

2 Setting the standard at 60, in
3 particular, changes the map considerably, placing
4 almost the entire country in violation. This
5 range, especially the lower end, presents a
6 variety of problems for Louisiana. As of this
7 summer, the greater Baton Rouge area has come
8 into compliance with the current standard, which
9 means there will be a slight reprieve of the many
10 economic restrictions that have been in place for
11 years, but that all changes when EPA changes the
12 standard again.

13 Changing the standard, as envisioned,

14 would put if not the entire, practically the
15 entire State of Louisiana in violation. And this
16 is all illustrated on the posters we are showing
17 to my left. Not just most of Louisiana, but even
18 pristine national parks like the Grand Canyon and
19 Yellowstone would be in non-compliance. There is
20 something wrong with this picture if Yellowstone
21 National Park is unable to comply with EPA's new
22 standard.

23 EPA's Clean Air Science Advisory
24 Committee, or CASAC, reviews EPA's underlying
25 science and advises the Administrator on the

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1 ozone standard. In this case, CASAC recommended
2 that EPA take action and lower the standard to
3 below 68 parts per billion, a significant
4 decrease from the current 75.

5 I'm actively following the ozone review
6 process to ensure its transparency and accuracy
7 and I've frequently voiced my numerous concerns
8 to CASAC and the EPA about how they have been
9 conducting this review.

10 I have also asked multiple Association
11 of Air Pollution Control Agency member states for
12 their opinions on the current review and upcoming
13 rule-making. In response, Louisiana DEQ pointed
14 out that being out of attainment could keep
15 companies from locating in Louisiana, and could
16 even result in some industries electing to shut
17 down their facilities and move out of the state,
18 where there are fewer restrictions.

19 Along with my concerns, numerous
20 Louisiana groups, led by the Baton Rouge Area
21 Chamber, have expressed their serious opposition
22 to the move. This would significantly damage the
23 business economy of not only Baton Rouge but the
24 entire state. If lowered to 60 parts per
25 billion, the consequences of non-attainment will

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1 include economic penalties, and since the main
2 economic driver of the state and the largest
3 industry presence here is manufacturing, our
4 local manufacturing renaissance will likely grind
5 to a halt.

6 According to the Greater Baton Rouge
7 Industry Alliance, the area has \$23.7 billion in

8 industrial projects. And the Baton Rouge Area
9 Chamber projects that 16,400 jobs will be created
10 locally through 2015. These numbers represent
11 huge successes for the area, but also huge
12 challenges and risks with this new ozone
13 standard.

14 Last week, the National Association of
15 Manufacturers released a study on the costs and
16 economic impacts of a 60 parts per billion ozone
17 standard finding that it would be the single most
18 expensive regulation in history. It would reduce
19 GDP by \$270 billion each and every year, and as
20 much as \$3.4 trillion by 2040. The average U.S.
21 household would lose \$1570 per year while job
22 impacts in the form of fewer hours worked, lower
23 pay and lost jobs would average 2.9 million per
24 year.

25 The study also examined the potential
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1 impact of new oil and gas production being
2 significantly restricted in areas of the country
3 designated non-attainment, potentially driving up
4 energy costs for families and manufacturers by 15
5 and 23 percent respectively. Louisiana would be
6 hit by such a standard with a potential for
7 116,000 lost jobs per year, \$53 billion in gross
8 state product loss from 2017 to 2040, and a \$2360
9 drop in average household consumption per year
10 and the shuttering of 80 percent of Louisiana's
11 coal-fired power plants, or that capacity.
12 Approximately 12,000 manufacturing jobs, 600
13 natural resource and mining jobs, and 30,000
14 construction jobs in Baton Rouge alone would be
15 at risk.

16 One of the many problems with EPA's
17 review of the ozone standard is that the current
18 standard of 75 parts per billion hasn't even been
19 fully implemented across the country. So the
20 full measure of its benefit has yet to be
21 experienced, but for some reason, EPA is
22 insisting on jumping the gun on changing the
23 standard again.

24 How can CASAC and EPA say with any
25 certainty that the current standard is

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1 insufficient and needs to be lowered since it is

2 not fully implemented.

3 With that being said, I thank our
4 guests again and our experts who are here and I
5 turn it over to Congressman Cassidy

6 CONGRESSMAN CASSIDY: Thank you, Senator
7 Vitter. First, I would like to point out to you
8 the differences between a Senator and a
9 Congressman. So that's it.

10 Thanks for -- thanks to you, to your
11 committee staff, for organizing this field
12 hearing on the economic impact of ozone. Now,
13 it's clear, the power to regulate is the power to
14 destroy and EPA's proposed regulations have the
15 potential to destroy jobs here in our economy.

16 Now our first -- it's amazing. Right
17 now folks are struggling. This should be when we
18 are creating jobs, not strangling them. For
19 example, chemical manufacturing is Louisiana's
20 second largest manufacturing industry, employing
21 about 23,000 people.

22 According to recent estimates, there
23 are 181 new manufacturing projects only in the
24 chemical sector with a total investment of about
25 \$116 billion. Nearly one-fourth of these are in
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1 Louisiana, \$28.6 billion just in chemical
2 manufacturing, with 8,000 new direct jobs are for
3 here. We should be rolling out the red carpet,
4 instead EPA is rolling out the red tape.

5 Now we know the current permitting
6 process is subject to delays, lots of
7 uncertainty, and the EPA will compound this by
8 proposing these new standards later this year and
9 it's going to impact us.

10 In April, David mentioned, the Baton
11 Rouge Chamber of Commerce wrote to the EPA saying
12 such a revision of these ozone standards would
13 significantly damage the business economy in
14 Baton Rouge and the entire State of Louisiana.

15 Now when we say business economy, we
16 mean jobs for families, good jobs with good
17 benefits that promise a better future for their
18 children and here we have EPA threatening these
19 better futures.

20 A few weeks ago, EPA proposed sweeping
21 new power sector regulations, again threatening

22 our manufacturing renaissance. These regulations
23 will drive billions of dollars in new costs,
24 raising electricity prices in many parts of the
25 country. And in our state, EPA proposed a

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1 40 percent reduction in greenhouse gas emissions
2 between 2012 and 2030.

3 If this happens, if it's unchecked, it
4 will increase the consumer's electricity bill and
5 jeopardize job growth. Someone asked me on the
6 radio today, "Is this true or is it a scare
7 tactic?" It is true, but it's hard to recognize.
8 Instead of that investment being made here, it
9 will be made overseas. Instead of that job being
10 created for your child, it will be created
11 elsewhere. You never see it, so it's hard to
12 recognize until you suddenly realize we're no
13 longer as prosperous as we once were.

14 Now to address this, I introduced a
15 bill called the Energy Consumers Relief Act which
16 would serve as a congressional check on the
17 current out of control executive authority at the
18 EPA. The Energy Consumers Relief Act just says
19 if the EPA produces a rule that has over a
20 billion dollars in impact upon the economy, on
21 jobs, on families, there would be an
22 inter-agency, if you will, third-party review, on
23 benefit/cost. It would require the EPA be
24 transparent about their cost and the rules be
25 reviewed by these other agencies to determine

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1 just how great that impact would be.

2 The bill passed the house with
3 bipartisan support, introduced in the Senate,
4 although I'm pessimistic Senator Reid will take
5 it up. That said, I sent a letter to Senator
6 Reid on June 4th asking for a vote on this and
7 similar legislation. I think, unfortunately, the
8 bill will fall victim, as a lot of pro-energy,
9 pro-business legislation continues to be blocked
10 by Senator Reid.

11 America has been presented with the
12 opportunity for a manufacturing renaissance that
13 can strengthen and create middle class
14 prosperity. We should all be supporting this.
15 We shouldn't allow the EPA unchecked to continue

16 to take actions that have the potential to
17 squander that opportunity.

18 I look forward to your testimony and
19 insight on how the EPA ozone rules can impact our
20 economy.

21 And again, Senator Vitter, thanks for
22 having me.

23 SENATOR VITTER: Great. Thank you, Bill.

24 And now I want to welcome again and
25 thank and introduce our three witnesses to this

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1 field briefing. I'll introduce all of you now
2 and then you can speak in turn and then we will
3 have questions and discussion.

4 First is Michael Vince, Senior
5 Scientist in the Air Permits Division of the
6 Louisiana Department of Environmental Quality.
7 He's an active promoter of the Ozone Action
8 Coalition and Michael is also President of the
9 Association of Air Pollution Control Agencies,
10 which is a consensus-driven organization focused
11 on assisting air quality agencies and personnel
12 with implementation and technical issues
13 associated with the Federal Clean Air Act.

14 Next will be Secretary Sherri LeBas.
15 She was appointed Secretary of the Louisiana
16 Department of Transportation and Development in
17 February 2010. As Secretary, Sherri is
18 responsible for more than \$1.7 billion of budget
19 authority and more than 4300 employees across the
20 state. During her tenure, Louisiana has invested
21 in major corridor improvement projects across the
22 state. And in addition to serving as Secretary,
23 Sherri has held several other high-level
24 positions within the Department. She holds a
25 bachelor's degree in civil engineering from LSU.

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1 And finally in his testimony will be
2 Dr. Joseph Mason, Professor of Finance and Chair
3 of Banking at the Ourso School of Business at
4 LSU, and Senior Fellow at the Wharton School. He
5 has published analysis on cap and trade, the
6 impact to American consumers, and the detrimental
7 effects of that policy in the economic union.

8 Welcome to all of you and we will start
9 with Mr. Vince.

10 MR. VINCE: Good morning, Senator Vitter and
11 Representative Cassidy. On behalf of Secretary
12 Hatch, we want to thank you for the opportunity
13 to be able to come to you this morning and
14 present some information.

15 I would like to begin by providing you
16 with a little recap of Louisiana's history of
17 implementation of the ozone acts, along with a
18 little bit of information about the NOx and VOC
19 sources in Louisiana. The NOx and the VOC are
20 the precursors to ozone formation.

21 The Baton Rouge region has made
22 remarkable progress improving its air quality.
23 In December of 2008, after 30 years, from 1978 to
24 2008, by continuous effort, the area monitored
25 attainment for both the original one-hour, as

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1 well as the 1997 8-hour ozone standards. EPA
2 redesignated our area to attainment in December
3 of 2010. And in July of 2011, merely seven
4 months later, the area was designated
5 non-attainment with a marginal classification for
6 the 2008 ozone standard.

7 On December 31st of 2013, as you have
8 already pointed out, the area again monitored
9 attainment with the current ozone standard,
10 achieving attainment two years earlier than the
11 statutory attainment deadline.

12 Based on the expected strengthening of
13 the ozone standard, the area is expected once
14 again to be designated as non-attainment.

15 Currently, there's an estimated
16 \$25 billion in new industrial projects in and
17 around the Baton Rouge area and the lower
18 Mississippi River corridor. The designation of
19 non-attainment means that the area will have to
20 comply once again with the non-attainment new
21 source review and more specifically offset
22 requirements for new permits.

23 This means that for every ton of ozone
24 precursor that is emitted, the facility will have
25 to offset 1.15 tons in order to be permitted.

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1 The offset tons are contained in the Emissions
2 Reduction Credit bank, which is regulated through
3 LDEQ.

4 Currently, there are precious few
5 Emission Reduction Credits available for offsets
6 to use for new projects or expansion permitting.
7 For instance, if industry wanted to build a new
8 facility in the non-attainment areas, there are
9 currently no Emission Reduction Credits available
10 for use under the offset provisions.

11 This means that the facility could not
12 be built in the non-attainment area. This is
13 going to be an issue with the upcoming standard
14 if more areas become non-attainment due to Clean
15 Air Act constraints and offset provisions.

16 Thus, a more stringent ozone standard
17 would mean a very serious threat to new
18 industrial projects in the region. Information
19 from the Baton Rouge Clean Air Coalition suggests
20 that the new industrial projects would help to
21 create many jobs which would provide families
22 with good income and in turn strengthen the
23 economy of the area.

24 In order to fully understand the
25 impact, I would like to review the sources of NO_x

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1 and VOC within the state. While the emissions
2 profiles change between each of the regions of a
3 state, EPA's 2011 Statewide Emissions Inventory
4 shows us that while 32 percent of our nitrogen
5 oxide emissions, our NO_x emissions, come from the
6 point sources, large facilities that we regulate,
7 the largest component of those NO_x emissions,
8 41 percent, comes from area sources. And this
9 term area source refers to small businesses and
10 activities that while they might require minor
11 permits, they don't always currently require air
12 permits at all. These would include restaurants,
13 small internal combustion engines, and even
14 places like bakeries. In-flight aircraft
15 emissions, locomotive emissions outside the rail
16 yards and commercial marine vessel emissions both
17 underway and at port are also included in this
18 area data category.

19 Our VOC profiles are a little different
20 with an estimated 77 percent of all of the VOC
21 emissions in Louisiana attributable to natural
22 sources, natural activities, and emissions from
23 certain plant species. So the next largest

24 component of our VOCs that can be controlled is
25 area sources and it makes up 15 percent of the

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1 total.

2 One of the successes of our Louisiana
3 regulations is that emissions reductions of VOCs
4 from our point sources continue and -- continue
5 to be -- continue -- productions continue and
6 only represent three percent of the total VOC
7 emissions statewide.

8 Extensive modeling efforts conducted by
9 the LDEQ point to the need for NOx reductions
10 instead of VOC reductions to help us to reduce
11 ozone. This is important because the science
12 surrounding ozone formation is a tight chemical
13 balance and if one pollutant is reduced too much
14 or too little, it creates an avenue for increased
15 ozone formation.

16 In the spring of 2012, EPA introduced
17 its Advance Program, which is designed to teach
18 potential non-attainment areas how to curb
19 pollutant emissions that are not industrial --
20 not always industrial in nature. DEQ has been
21 working closely with local governments and area
22 businesses and industries to bring the message of
23 potential ozone standard change impacts to these
24 communities.

25 Currently, six of the eight statewide

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1 planning districts are enrolled in the Advance
2 Program. Participants develop plans and
3 strategies that will assist them in identifying
4 opportunities for emission reduction projects
5 that may prevent them from becoming designated
6 non-attainment based on the design values when
7 those new standards are introduced.

8 In explaining why these efforts are
9 critical, I'd like to call your attention to the
10 first chart which is over there, behind that one.
11 See if I can get to that. This chart represents
12 the design values, the 8-hour design values for
13 all of the air quality monitors that we have
14 across the state. So these are all the air
15 quality monitors that we have.

16 Using the design values, and that's
17 those three-year averages which ends December of

18 2013, you can see that the yellow bar means all
19 the monitors are in attainment. Usually if we
20 have non-attainment, I will add red above that.

21 So right now, all of our monitors are
22 meeting the design value. Hence, the Baton Rouge
23 area is poised to become redesignated into
24 attainment.

25 But let's assume that on January 1st
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1 of 2014 that we would have gotten a new standard
2 and that new standard would have been 70 parts
3 per billion. Seventy parts per billion, as you
4 know, reflects the upper boundary of the range
5 that the Clean Air Science Advisory Committee
6 provided to EPA for its consideration.

7 While we have already noted that the
8 Baton Rouge area was sure to become
9 non-attainment, 70 parts per billion is now that
10 red line there. You will see that over half of
11 our monitoring sites show that they will be
12 exceeding the standard. That would include the
13 Shreveport metropolitan area, as well as
14 Houma/Thibodaux, and New Orleans, all of these
15 would be designated as non-attainment.

16 To take this further, assuming that the
17 standard would be set at 65, the midpoint of the
18 CASAC's adjusted range, then Lake Charles and
19 Lafayette also would potentially become
20 non-attainment. If the standard were set at the
21 lowest value at a range of 60, the Monroe area
22 would be designated as non-attainment and this
23 action would designate almost the entire state
24 and all the major metropolitan areas as
25 non-attainment.

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1 The one exception to that is Alexandria
2 and that was because that area is currently not
3 monitored because the monitor -- the monitor had
4 some problems and was taken out of service.

5 I have got some maps over here on the
6 other side that kind of show you pictorially the
7 significant regional impact that each of the
8 standards will take.

9 The one on the right shows the 70 parts
10 per billion. Those areas, their boundaries,
11 those are the metropolitan statistical areas the

12 EPA uses when they make -- traditionally make
13 designations. You will see that at 70 parts per
14 billion almost all the southeastern corner of the
15 state would be at non-attainment, as well as the
16 Shreveport/Bossier area.

17 The one on the right takes it a little
18 bit further and shows that the Shreveport, Lake
19 Charles, and Lafayette areas would also go into
20 non-attainment status with the standard of 65.
21 So you can see it pretty much covers the entire
22 state.

23 The impacts also affect state and local
24 government as it creates a significant strain on
25 the resources available to develop state

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1 implementation plans, attainment demonstrations
2 and then the rule-making to support all these
3 potential new non-attainment areas.

4 The Clean Air Act, as you know, has
5 very prescriptive requirements based on
6 non-attainment classification and while each
7 classification affords areas more time to reach
8 attainment, somewhere between three to 20 years,
9 the higher the classification, the more
10 prescriptive the requirements.

11 It's common knowledge that a
12 non-attainment designation will directly affect
13 area industries. However, few understand that it
14 will affect the area's ability to put in new
15 roadways, build housing, community centers, and
16 other type of operations using certain federal
17 grants, and may cause the general public to have
18 their vehicles undergo the added emissions
19 inspection along with their annual safety
20 inspections.

21 There's also the additional burden that
22 is put on local businesses and industry. As a
23 state that has battled non-attainment since the
24 1970s, we have seen firsthand the stigma that
25 non-attainment carries. Businesses that want to

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1 locate or expand into Louisiana always ask
2 whether a potential site is in a non-attainment
3 area. Too many times those potential sites are
4 discarded as the business decides to take its
5 operation elsewhere to a location that is not

6 burdened with the financial cost of
7 non-attainment.

8 Non-attainment represents a red flag in
9 the site selection process for both new
10 facilities as well as expansions, especially for
11 manufacturing prospects. Non-attainment involves
12 a more complex, expensive permitting process that
13 can reduce the competitiveness of existing
14 business and industry.

15 Once in non-attainment, there is
16 potential risk of significant increases in
17 economic costs on both industry and consumers if
18 air quality does not meet the standard within the
19 time frame required.

20 As you know, the Clean Air Act is very
21 prescriptive when it comes to the compliance
22 requirements placed on business and industry for
23 non-attainment areas. Some of these include
24 emissions inventory reporting requirements, lower
25 major source thresholds, new source review versus

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1 PSD determinations, permitted emissions offsets,
2 and reasonably available control technology
3 requirements.

4 Due to the complexities of the Clean
5 Air Act and the implementation of non-attainment
6 requirements, working with local governmental
7 officials to develop strategies to avoid
8 non-attainment has not been easy, but we are
9 making good progress.

10 SENATOR VITTER: Mr. Vince, if I could just
11 ask you to wrap up.

12 MR. VINCE: Yes.

13 SENATOR VITTER: Thank you.

14 MR. VINCE: Prospective areas of the state
15 have managed to avoid non-attainment in the past,
16 however, being proactive isn't always enough.
17 This is especially true for areas with natural
18 background readings that are very close to the
19 standard. Most people understand the manmade
20 side of pollution, but they don't understand that
21 plants, animals and humans also naturally emit
22 ozone precursors.

23 Forcing industry to install controls in
24 an area that is at or near background will cause
25 further economic hardship to the communities.

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1 Industry will either have to shut in, causing
2 layoffs or pass their cost on to the consumer.

3 EPA has stated that the new standard
4 will be proposed in November of this year,
5 allowing for public hearing, comment, and
6 response. The final version is predicted to
7 become final in late 2015.

8 We are working on our attainment
9 redesignation package and maintenance plan right
10 now for the -- for the old standard and, as you
11 can see, there's going to be an overlap there.
12 And while EPA -- while we understand that EPA has
13 to follow the Act in reviewing the NAAQS every
14 five years, the constant revisions do not lend us
15 enough time to get the emission reductions that
16 we need, nor the opportunity to monitor how well
17 our implementation plans have worked.

18 In summary, based on the
19 recommendations of the CASAC, certain areas of
20 the state will be facing non-attainment
21 designation and the prospect of tighter
22 regulation on industry, economic burden of
23 attracting new business and industry, as well as
24 transportation expenditures on motor vehicle
25 programs.

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1 Thank you for the opportunity to
2 provide you this information this morning.

3 SENATOR VITTER: Thank you, Mr. Vince.
4 Thanks for your work and now we will hear from
5 Secretary LeBas.

6 SECRETARY LEBAS: Hi. Good morning, Senator
7 Vitter and Representative Cassidy. Good to be
8 here.

9 What I'm going to do -- let's see. I
10 have a power point up here and I think you have a
11 handout.

12 SENATOR VITTER: Yes. Thank you.

13 SECRETARY LEBAS: You can follow along in
14 that. The first slide shows you our scope of
15 responsibility and I just want to point your
16 attention to 16,000 plus miles of state highway
17 in Louisiana and, of that, all of it is eligible
18 for federal funding except for 6,000 miles,
19 931 miles of interstate and over 13,000 bridges,

20 all of them eligible for federal highway funding.

21 So what this does, this does affect our
22 projects and that's what I'm going to go through.
23 So as the federal law exists today, conformity
24 determinations are good for four years. It takes
25 around 12 to 16 months to complete a conformity

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1 analysis. And capacity corridor projects could
2 be affected by the rule change. Could delay our
3 capacity projects that we are able to do in the
4 state and as we all know, that ties to economic
5 development, which is what you spoke about.

6 The rule change can impact 11 MPOs in
7 Louisiana. That's areas that have over a
8 population of 50,000 people. All the corridor
9 capacity projects in these areas could be
10 affected. Our long-range transportation plan,
11 which we are working on now, this could affect
12 that long-range plan. Even the rural parishes
13 outside the MPO boundaries in Louisiana could be
14 affected by this as well.

15 For example -- and we have looked at
16 all the maps and I'm not going to go over those,
17 because Michael went over those. But if this is
18 reduced to 70 parts per billion, Baton Rouge, New
19 Orleans, Shreveport/Bossier City, and
20 Houma/Thibodaux would be in non-attainment. If
21 it's further reduced, Lafayette, Lake Charles,
22 would also be added to the non-attainment
23 category. And if it's reduced to 60, all metro
24 areas except for Monroe would be categorized at
25 non-attainment, which is depicted on the graph.

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1 So I have the two graphs that you have
2 behind you in this power point, as well,
3 depicting that.

4 So statewide implications. New
5 capacity corridor projects could not be placed in
6 what we call the TIP, which is the Transportation
7 Improvement Program, unless a conformity
8 determination is obtained by FHWA/EPA. So it
9 constrains our TIP and our STIP, which STIP
10 stands for State Transportation Improvement
11 Program.

12 Not being included in the TIP or the
13 STIP means that it's not eligible for federal

14 funding. So to move a project forward, we would
15 have to use 100 percent state funding, and as you
16 know, we do rely heavily in Louisiana on our
17 federal transportation dollars that we receive.
18 We all here in Louisiana pay 18.4 cents per
19 gallon to the federal government and we receive
20 that money back from the federal government
21 through our transportation trust fund dollars.

22 So what are some mega-projects that it
23 could impact? I want to bring to your attention
24 that we are now underway with completing I-49
25 North from I-220 to the Arkansas state line.

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1 Under these new regulations, this is something --
2 this is a project that could have been impacted.

3 It could impact I-49 South. Now that
4 we are complete with I-49 North or just about, we
5 are turning our attention to I-49 South, a
6 tremendously important corridor here in Louisiana
7 for moving goods and services. So this change
8 could jeopardize moving that project forward.
9 And we have made great strides on that project
10 and want to continue with that corridor.

11 Tomorrow, in fact, we are going to be
12 doing the ground breaking for a major overpass on
13 I-49 South, \$57 million investment. And we are
14 also proceeding with the design of I-49 South
15 from the Interstate I-10 to Pinhook. Again,
16 these changes could impact those projects.

17 And then yesterday, we are moving
18 forward and we have letters of interest for
19 another design/build project. It's the
20 LA318/US90 interchange. And then again, other
21 I-49 projects. But you know, I just wanted to
22 show you some examples of what type of big
23 projects for Louisiana this could affect.

24 CMAQ is a funding category that
25 non-attainment areas specifically qualify to

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1 improve air quality. At this time, Baton Rouge
2 has been the -- the only area that has had to use
3 the CMAQ funds, but with this change, it means
4 that the other metropolitan areas could all then
5 be trying to use these funds, which will then
6 thin out the use of the funds.

7 So statewide implications. We are very

8 concerned about the impact this change can have,
9 given the industrial development, which you both
10 talked about here in Louisiana, this could really
11 impact that, increasing the cost of existing
12 expansions, complicating the ability to quickly
13 respond to congestion, reducing the state's
14 competitiveness for additional expansion
15 opportunities.

16 Again, I want talk about the rural
17 parishes. They could be affected as well. And
18 because these areas typically fall outside the
19 MPO, they don't have the expertise, then that
20 would fall on DOTD to assume those
21 responsibilities. Only one MPO has recent
22 experience dealing with the non-conformity
23 issues, so with this, other MPO areas would have
24 to learn how to do it, get on board as well.

25 MPO implications, a major concern is

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1 the time necessary for other MPOs to develop the
2 skills. And so this could, again, just delay our
3 projects. If 11 Louisiana MPOs are designated
4 non-attainment, the cost for the entire state is
5 around 4.4 million to 5 million range for a
6 four-year period. Now you may say, well, that's
7 4.4 or \$5 million, but that is a lot of money to
8 the MPO areas and that's money that we could
9 invest into transportation projects instead of
10 this effort.

11 So it will cost the MPOs or DOTD
12 approximately 400,000 each to conduct an air
13 quality conformity and, you know, the biggest
14 thing that I want to talk about here is this
15 moving target. You know, Baton Rouge has worked
16 so hard to be in attainment and now to have this
17 moving target that every time we get close, and
18 the target moves, and it impacts other areas is
19 really big for transportation and would have a
20 huge impact.

21 So we do have serious concerns and our
22 focus, as you know, would be rather on project
23 development and moving our projects forward for
24 the economic growth in the state, as well as the
25 quality of life for our citizens. Thank you.

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1 SENATOR VITTER: Great. Thank you very

2 much, Madam Secretary. And now Dr. Mason.

3 DR. MASON: Good morning, Senator Vitter.

4 SENATOR VITTER: Morning.

5 DR. MASON: Representative Cassidy. Thank
6 you for inviting me to testify today on this
7 topic of really crucial importance to our
8 region's economic health.

9 In Baton Rouge, as with most of the
10 country, ozone compliance is achieved through
11 Emissions Reduction Credits or ERCs. ERCs are
12 already really, really hard to obtain and the
13 price therefore continues to rise as more are
14 demanded for new development of projects and few
15 new ERCs are supplied.

16 Nobody really talks about the cost of
17 ERCs, so I wanted to mention this. Even the
18 recent study on economic impact does not take
19 them directly into account. In our region, ERCs
20 related ozone policy can trade for upwards of
21 about \$350,000 per ton. The price has
22 skyrocketed in recent years. This has been a
23 known problem that the EPA acknowledges, but
24 doesn't do anything about.

25 But when you start thinking about a

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1 typical plant around here requiring ERCs for
2 roughly 11 tons of output annually, you start
3 getting into initial costs of \$3 million or so
4 before you can even start planning the
5 construction project and the development project.
6 That's a big outlay. And I wanted to give that
7 example as an example of the drag that is pulling
8 down the economy of these types of policies.

9 Obviously, these ozone policies and
10 compliance prices raise business costs and
11 prohibit flexibility. When industry is looking
12 to locate in an area one of the first things they
13 ask is, "Are you in non-attainment," because they
14 want to know what's to come. The reason, since
15 ozone levels will have to be cut, the demand from
16 the new businesses are going to lead to these
17 ERCs to become even more expensive. That means
18 existing businesses won't be able to expand in
19 the region, new businesses won't come here. So
20 you get a double whammy effect.

21 A recent study put the cost of the

22 EPA's 60 parts per billion policy at roughly
23 \$53 billion in Louisiana state -- gross state
24 product and 117,000 jobs. But there are even
25 more costs than just the monitoring costs.

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1 According to a 2012 Small Business
2 Administration study, small businesses pay
3 36 percent more in compliance costs per employee
4 generally and environmental regulations cost
5 364 percent more for small businesses than larger
6 companies.

7 Studies of the impacts of
8 non-attainment in southern California showed that
9 Hispanics and blacks shoulder the brunt of the
10 economic burden while benefiting no more than
11 others. And higher energy costs and more
12 expensive automobile equipment to reduce the
13 emission of ozone-producing chemicals falls
14 disproportionately on the poor.

15 Congressman Cassidy noted earlier
16 domestic job losses. This is really important to
17 note that in auto parts, the losses are even
18 worse. These are auto parts that are often
19 included to reduce emissions. These auto part
20 companies and new jobs are feeding monopoly and
21 collusive foreign auto part suppliers, many of
22 which are under investigation by the Department
23 of Justice and foreign authorities for monopoly
24 practices. So we are feeding foreign monopolies
25 on top of the U.S. job losses.

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1 As Mr. Vince noted, it's not even clear
2 that the EPA's proposed standards can even be
3 achieved. Known technologies, that is
4 technologies already identified in existing
5 ozone-reduction strategies are estimated to be
6 able to achieve reductions amounting to roughly
7 one-third of those needed to attain the EPA's 60
8 parts per billion standard nationwide. Thus, a
9 good deal of the technology needed for the
10 reduction that is necessary to reach the EPA's
11 minimum goal has yet to be invented.

12 A recent study estimated that as much
13 as 95 percent of the EPA's \$90 billion in
14 compliance costs come from unknown technologies
15 and methods that do not currently exist to

16 mitigate ozone. It's likely that those
17 technologies will be much more expensive than the
18 technology used in previous ozone-reduction
19 strategies, leaving existing cost estimates
20 to err on the low side.

21 But maybe the biggest problem with the
22 EPA's policy is that it only marks the most
23 recent change to ozone standards and those
24 changes to which there seems to be no end game
25 but zero ozone, come about randomly, maximizing

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1 the economic disruption. Central banks know that
2 random policy announcements keep businesses off
3 balance. And central banks sometimes use that
4 power to consciously decrease economic growth
5 more than would otherwise occur from a specific
6 policy announcement. This is textbook
7 introductory macroeconomics.

8 As a result, recent discussions of
9 Federal Reserve policies have emphasized the
10 smoothing powers of transparency, letting
11 businesses know what is to come by implementing
12 policies in obvious fashion so as not to unduly
13 interrupt economic growth when they do try to
14 raise rates again.

15 If the EPA would just tell businesses
16 where this is going, businesses can plan for the
17 EPA's penultimate standard which may be more
18 economical for business to invest in over time
19 than limited technological implementations that
20 respond merely to the EPA's next goal in their
21 one-up surprise decreases that we now have seen
22 happen over and over again.

23 The EPA's goal also seems to be as low
24 as possible without regard even to technological
25 and environmental possibilities that constrain

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1 what can actually be achieved. As the Congress
2 learned from stagflation that arose in the 1970s
3 from attempting to drive unemployment as low as
4 possible, such minimization policies typically do
5 not end well, primarily because there are natural
6 floors to most physical and economic phenomenon,
7 as noted by Mr. Vince, again with respect to
8 plant and animal emissions of ozone-related
9 components that exist naturally in nature.

10 Baton Rouge is a success story in EPA
11 ozone mitigation policy. In 2012, Baton Rouge
12 actually achieved the EPA's prior standard of 75
13 parts per billion. Many other cities and regions
14 have failed. The EPA's own research shows in
15 areas like Cincinnati, Ohio; Pittsburgh,
16 Pennsylvania; St. Louis, Missouri; and many
17 others, can't hope to meet any requirement below
18 75 parts per billion by 2020, dooming them to
19 long periods of non-attainment.

20 Baton Rouge has faced the frustration
21 of foregoing economic growth and incurring the
22 expense of actually meeting the EPA's prior goal
23 only to be effectively slapped in the face by the
24 EPA saying, "Well, that's not enough." Having
25 been good global citizens, we'd rationally like

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1 to know, "Well, how much more is there before we
2 choose to spend more?"

3 I hope that the Congressman and you can
4 help make a difference in the implementation
5 policy in the standards going forward. Thank
6 you.

7 SENATOR VITTER: Thank you very much,
8 Doctor. Now we will start with questions by
9 Congressman Cassidy.

10 CONGRESSMAN CASSIDY: Mr. Vince, you went
11 through the percentages of, say, for example,
12 nitrous oxidize from point sources versus area
13 sources. Now, if you're going -- if you're going
14 to come in and have to come into attainment for
15 nitrous oxidize, it seems to me that point
16 sources would bear more of a responsibility for
17 coming into attainment because it's easier to go
18 after two or three big petrochemical plants than
19 it is to go after 400,000 cars. Is that true or
20 not?

21 MR. VINCE: Well, that is a good question.
22 What I didn't share with you were maybe some of
23 the other numbers to give you a little bit of
24 perspective. While the area source is
25 41 percent, that's a big chunk of NOx statewide,

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1 the on-road piece, the piece that comes from our
2 cars that drive on the highway is roughly
3 20 percent and point sources represent, as I

4 said, 32 percent.

5 So we do have rules -- we do have rules
6 designed here in the Baton Rouge area to do both
7 VOC and NOx and we can implement those rules.
8 That may be one of the strategies we go forward
9 with to reduce point source emissions from other
10 locations, but it's not always that simple.
11 Because what you have to do is look at each
12 particular area, what sources are in that area.
13 It may not do any good to say we are going to
14 take our existing NOx rule and make it statewide
15 when that may not get you the controls that you
16 need.

17 CONGRESSMAN CASSIDY: I got it because each
18 environment is different. In Baton Rouge, for
19 example, it does seem to me that if you have a
20 couple petrochemical plants and 20 percent of
21 them, you know, let's say we have eight or
22 something like that, 20 percent of the emissions
23 are from these eight, it's easier to regulate
24 those than all the different vehicles which may
25 last for 15 more years before they are taken off

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1 the road.

2 MR. VINCE: Well, that's true. And you
3 know, we don't regulate the vehicles because EPA
4 sets those things with the -- with the fuel
5 economy standards and the fuel standards and
6 emission standards on cars.

7 CONGRESSMAN CASSIDY: So just because of
8 limited time, let me interrupt. So if you have
9 an industry that may decide whether or not to
10 expand in this area, creating jobs here, I gather
11 from your testimony, Dr. Mason, that it's not
12 just, say, for example, the \$3 million extra per
13 year in operating expenses, it's also they don't
14 know the business environment. It may be
15 3 million this year, it may be 10 million extra
16 per year in ten years; is that a fair statement?

17 DR. MASON: It could be 10 million extra
18 next year and another 20 million extra the next
19 as these standards continue to rise. And also in
20 relation to your previous question, if the
21 chemical plants have squeezed out as much of
22 their emissions as possible, they might not be
23 the best target for policy going forward because

24 their ability to squeeze out the next part per
25 billion would be far more expensive than the

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1 first 10 or 20 years ago when they started trying
2 to cut back on these emissions.

3 CONGRESSMAN CASSIDY: I forget the name of
4 the game I played as a kid, but the song went
5 "How low can you go." And so since you don't how
6 low you are going to be required to go, you may
7 choose not to invest here but rather to invest in
8 another country where there are laxer
9 environmental standards. Paradoxically, you may
10 be releasing something in China far higher than
11 75 parts per billion as opposed to Louisiana,
12 creating Louisiana jobs. Fair statement?

13 DR. MASON: It's a fair statement, a
14 rational behavior by corporations who can move
15 plants, move corporate headquarters, move their
16 domiciles as we are seeing internationally in
17 response to U.S. tax policy.

18 CONGRESSMAN CASSIDY: Now Secretary LeBas,
19 we were talking earlier and clearly, building
20 roads, maintaining them, maintaining bridges is a
21 huge economic impact for the good, right?

22 SECRETARY LEBAS: Absolutely.

23 CONGRESSMAN CASSIDY: So do you have -- I
24 don't know, I mean, I could ask, I guess,
25 Dr. Mason this. Do you have some sort of rule of

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1 thumb about how much we get to the economy by
2 having X amount of investment in roads and
3 highways and how much we lose by you losing that
4 investment?

5 SECRETARY LEBAS: There are numbers
6 available. I don't have that -- we don't have
7 them at top of our head, but we can get that to
8 you. I looked at my staff and they are not on
9 the top of their head as well.

10 CONGRESSMAN CASSIDY: You may need new
11 staff.

12 SECRETARY LEBAS: We do have that. Pardon
13 me?

14 CONGRESSMAN CASSIDY: You may need new
15 staff.

16 SECRETARY LEBAS: No. No.

17 CONGRESSMAN CASSIDY: Just teasing. That

18 said, it's fair to say that if we don't complete
19 that I-49 from Arkansas down all the way down
20 through south Louisiana, there's going to be some
21 economic development price to pay.

22 SECRETARY LEBAS: Oh, yes. Absolutely. I
23 mean, you know, it's so imperative for us to be
24 able to move the goods and services for economic
25 development, for industry to come here, to locate

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1 here, to have a really great transportation
2 system and that's what we have been working
3 towards on these mega-projects that we have done
4 here in Louisiana.

5 CONGRESSMAN CASSIDY: So it's not just the
6 jobs we lose in manufacturing or in construction
7 currently, it's the potential of future jobs that
8 we would lose by not having the built-up
9 infrastructure required to support those future
10 jobs.

11 SECRETARY LEBAS: Yes. That is correct.

12 CONGRESSMAN CASSIDY: Thank you. Senator
13 Vitter.

14 SENATOR VITTER: Great. Thanks,
15 Congressman. Thanks again to all of you for your
16 testimony.

17 I wanted to ask Mr. Vince and Secretary
18 LeBas the following. You know, I get the
19 impression that some people, certainly not
20 everybody, but some people react to these sort of
21 discussions by saying, oh, well, you know, there
22 was a lot of scurrying around when the standard
23 was set at 75 and we got there and everything is
24 fine, and life is rolling along and so that will
25 just happen again when it's set at 60.

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1 Can you react to that and specifically
2 can you compare the sort of challenge of getting
3 to 75 in a place like Baton Rouge versus the
4 challenge, what it would be like to get to, say,
5 if it were set at 60.

6 MR. VINCE: Well, you know, we have got a
7 long history here in the Baton Rouge area. In 30
8 years, there's a lot of knowledge base out there
9 both within the Department staff as well as the
10 industrial staff, and the business staff out
11 there. So they have been working, you know,

12 collectively working on this problem for this
13 long of a period of time.

14 It's going to be really hard, and it is
15 really hard right now working with these other
16 communities that have never had to deal with
17 this. They don't -- they have no understanding
18 of what is coming down the pipe for them. And --

19 SENATOR VITTER: Can I stop you for a
20 second? I don't mean to interrupt. But let's
21 take Baton Rouge, for starters, that has
22 experience. So with all that experience, with
23 all that expertise, how would you compare the
24 effort to deal with 75 versus an effort to deal
25 with 60?

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1 MR. VINCE: We would have to -- for Baton
2 Rouge, we would have to just kind of redouble our
3 efforts and, you know, it all depends on what the
4 modeling tells you. And so you have to take your
5 transportation information, your vehicle miles
6 traveled, all these things, your emissions
7 inventory, what is happening in the business
8 economy, and modelers, there are only a few of
9 these available in the country that do this kind
10 of work, come back and tell you what kind of
11 reductions that you need.

12 And when they -- if we ask them, come
13 back and tell us what we would need to get down
14 that low, it would be pretty scary, I believe,
15 because there's not a lot of room. You know, as
16 professor pointed out, there's not a lot of room
17 left for us to go. We have gotten all the low
18 hanging fruit that we can from the local business
19 leaders here and industry people here.

20 SENATOR VITTER: So therefore, let me ask it
21 a different way. How would you compare the
22 direct negative economic consequences of getting
23 to 75, which we have done, compared to getting to
24 60?

25 MR. VINCE: I think it would be catastrophic

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1 if we had to get down to 60 because --

2 SENATOR VITTER: Then let me go to the other
3 part of the question. You were also talking
4 about areas, communities, metro areas which
5 haven't even started this sort of process and

6 developed that sort of expertise. What do you
7 think it's going to be like for them?

8 MR. VINCE: Well, judging from the
9 experience we have had with trying to get them to
10 understand this whole issue and be proactive,
11 I -- I -- they have no idea. And I believe it's
12 not just here in Louisiana, I believe it's
13 nationally. People who have not had to deal with
14 non-attainment do not really understand. And the
15 way the Act is set up, you're doomed to fail from
16 the beginning.

17 Once you're designated as
18 non-attainment and you have to get that
19 three-years worth of data, the three-year clock
20 started on the day you were designated. It takes
21 a long time to figure out what rules to write,
22 get them on the books, go through the state
23 legislative process to explain why we need to
24 make these kind of significant investments, these
25 kinds of reductions.

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1 For our local folks, they are trying
2 really hard, but, you know, we've got a
3 representative here from down in the New Orleans
4 area that can speak to what they might -- what
5 they might believe is going to happen, but it's
6 going to be a really rough time.

7 SENATOR VITTER: Madam Secretary, if you
8 could react to the general reaction I sometimes
9 hear of, "Oh, we dealt with 75, we can deal with
10 60," just, you know, same deal, same experience.

11 SECRETARY LEBAS: Well, I could tell you,
12 you know, just -- it's been very frustrating at
13 times working with the issue just here in Baton
14 Rouge and not being able to move some projects
15 forward, or not being able to move them forward
16 as quickly as you would like because you know
17 they are needed for congestion or needed for our
18 economy.

19 So from a personal standpoint, just the
20 times I have met with my staff, we are frustrated
21 over this, I have to admit. And so I mean it's
22 been a big challenge for the Baton Rouge area and
23 it has impeded progress of projects. But looking
24 and building on what Michael talked about with
25 the other MPO areas, just the expertise is not

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1 there. We would have to provide probably more
2 resources and, again, just the impact that it's
3 going to have now on statewide, not just the
4 Baton Rouge area. So you know, from a
5 transportation perspective, it does have a great
6 impact.

7 SENATOR VITTER: Okay. Madam Secretary, let
8 me ask you this about highway projects. I assume
9 if you take the same number of cars and they are
10 sitting in traffic for a long time, or moving at
11 5 miles an hour for a long time, they produce a
12 lot more exhaust and emissions than the same
13 number of cars moving at their optimal speed from
14 where they start to where they finish; is that
15 correct?

16 SECRETARY LEBAS: That's what my intuition
17 tells me. I'm a civil engineer not a scientist.

18 MR. VINCE: That's correct.

19 SECRETARY LEBAS: I will look at my
20 scientist colleague here. But that's the
21 frustration that I get because, you know, looking
22 at I-12 and I-10 and the traffic that builds up
23 on I-10 and I-12, it seems to me, if we were able
24 to add another lane and get that traffic moving
25 that it would help with the emissions.

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1 SENATOR VITTER: So Mr. Vince, I am correct
2 in what I described, correct?

3 MR. VINCE: Yes, sir, you are.

4 SENATOR VITTER: And basically, to
5 oversimplify, but I think this is basically
6 correct, and if it's not, please tell me.
7 Projects which increase capacity will be slowed
8 or stopped if Baton Rouge is in non-attainment
9 and you essentially don't get any credit for the
10 fact that you are helping the exhaust and the
11 pollution situation by building that capacity; am
12 I missing something?

13 MR. VINCE: No. That's correct. All of
14 those projects would have to undergo -- go
15 through the conformity process, and when we do
16 our modeling, when DEQ does its modeling, we
17 develop what's called "The Budget" and that
18 budget determines how many -- how much emissions
19 can come from that mobile sector or the highway

20 sector within this area. And if that project is
21 going to result in significant changes to that,
22 it does not pass. They can't build it.

23 SENATOR VITTER: Dr. Mason, let me ask you.

24 We are poised for a positive explosion of big
25 job-creating manufacturer projects, particularly

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1 the Lake Charles area, particularly in greater
2 Baton Rouge river parishes. As I see it, this is
3 the only big limiting factor in sight to those
4 jobs and that economic expansion. What impact
5 could this have if a new standard came out 60,
6 65, what impact could this have on that planned
7 job creation?

8 DR. MASON: Well, the consideration of the
9 policy leads to really troublesome business
10 decisions having to be made. First of all,
11 businesses have to think about, well, what is --
12 how can I model the political outcome of what
13 standard might be implemented somewhere in the
14 range of 75 to 60 and I really don't know.

15 So businesses first have to put a
16 probability on what the outcome would be and then
17 budget around that. What would I need to spend
18 in ERCs, what I would need to spend in additional
19 planning costs. I have done -- I could be
20 mid-project, I could have the plant under
21 construction and this policy comes up and that
22 makes me need to go back and rerun my numbers and
23 I might just abandon if the numbers aren't there.
24 It's pure and simple. But putting new,
25 essentially, taxes on every business in the

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1 region is going to make businesses think twice
2 about going to that region.

3 SENATOR VITTER: Okay. Congressman Cassidy,
4 you have additional questions?

5 CONGRESSMAN CASSIDY: Yes. One out of seven
6 jobs in Louisiana is tied to maritime.
7 Obviously, people going up and down the
8 Mississippi River, et cetera, intracoastal canal
9 generates emissions. Those, I presume, would be
10 area. You described those among area.

11 MR. VINCE: Yes.

12 CONGRESSMAN CASSIDY: Now, and they may have
13 their origin in Cairo and they may be transiting

14 to New Orleans and then go back to Cairo. So I'm
15 just curious, how does one -- how does one
16 regulate that if we have to reduce, and you have
17 to go to the area emissions, because low hanging
18 fruit from point source has been plucked, what do
19 you do about this maritime, does this impact
20 those jobs? I'm just curious.

21 MR. VINCE: Well, there's some significant
22 resources being devoted towards this down in the
23 Port Fourchon area right now. You see a number
24 of the ship builders, I think Chouest is one of
25 those that is making conversions of their fleets

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1 away from diesel engines going to CNG.

2 CONGRESSMAN CASSIDY: So even though that's
3 Fourchon, that would generate credits for we here
4 in Baton Rouge?

5 MR. VINCE: Well, the coastal regions have a
6 tendency to take NOx that is generated on the
7 coast down near Fourchon and kind of bring it up
8 here and dump into Baton Rouge, helping to create
9 ozone for us.

10 CONGRESSMAN CASSIDY: Can you quantitate
11 that? Because that seems quite an indirect
12 effect. Not sure it's going to happen, knowing
13 that it occasionally does, would that really
14 impact our 8-hour ozone reading on a consistent
15 basis?

16 MR. VINCE: It can. Yes, sir, it can.
17 Something that I didn't point out a while ago is
18 that when we talk about where the standard would
19 be, our background statewide is somewhere around
20 60 parts per billion.

21 CONGRESSMAN CASSIDY: Background.

22 MR. VINCE: Our background, so that's just
23 what's out there available. So --

24 CONGRESSMAN CASSIDY: So let me ask you.
25 Somebody told me the cost of an LNG ship as

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1 opposed to diesel is about \$20 million more for
2 the LNG. I was just in the bayou region
3 yesterday having great visits with folks. So it
4 sure would be nice if they do it, but on the
5 other hand, it's going to cost them \$20 million
6 to do it. So what's the incentive for them to
7 convert if it doesn't benefit them directly,

8 rather only us?

9 MR. VINCE: Well, one of the things we have
10 been pursuing here within the Department is -- is
11 develop -- seeing if we can develop some type of
12 Emission Reductions Credit bank. In other areas
13 of the state we have to get --

14 CONGRESSMAN CASSIDY: I'm not sure that's
15 answering my question.

16 MR. VINCE: Well, it would allow them to put
17 in -- them or any other kind of business to
18 get -- take early reductions now, before they
19 become non-attainment.

20 CONGRESSMAN CASSIDY: So by Chouest doing
21 that, they would offset the \$20 million price by
22 generating credits that they would then sell into
23 the bank.

24 MR. VINCE: Yes.

25 CONGRESSMAN CASSIDY: Gotcha.

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1 MR. VINCE: So that's one possibility. And
2 trying to get them to understand and us trying to
3 figure out what are the economic policies of
4 non-attainment in each of these areas.

5 CONGRESSMAN CASSIDY: Now you need some sort
6 of interesting contract, Dr. Mason, and some sort
7 of spreadsheet to decide whether that could work
8 because it would definitely depend on the price
9 of the credit, correct?

10 DR. MASON: It not only depends upon the
11 price of the credit, it also depends upon the
12 price of natural gas. And if natural gas
13 production is targeted for -- for NOx and ozone
14 reduction and they have to pay more to extract
15 natural gas, the price of natural gas is going to
16 go up and remove the other side of this equation.
17 Of course, we can import natural gas from Russia.

18 CONGRESSMAN CASSIDY: The variables in this
19 formula are almost imponderable. So even though
20 on paper it's a good concept, you can see that
21 there might be reluctance for industry to adopt,
22 given the variability.

23 MR. VINCE: That is correct. The idea, I
24 think, is for the -- for now, that people are
25 looking at is what are the cheapest reductions

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1 that we can get and maybe industry can go out and

2 purchase, put in projects, let's say that the
3 city, we wanted to change all the school buses
4 here in East Baton Rouge Parish and make them
5 CNG. Industry could pay up front for the cost of
6 doing that and get a quantifiable level of NOx
7 reductions that would be significantly cheaper
8 than the \$300,000 a ton that they might have to
9 pay to purchase NOx credits.

10 And so it would be a win for the area
11 because we would get better air quality from --
12 from the engines and the fuel type that's
13 changing and the industry would be able to have
14 some credits that would be available for them to
15 do some other projects. So right -- in the past,
16 we have just been really looking at things that
17 you can do within your own facility boundaries,
18 but now people are starting to look at, "Well,
19 why can't I invest in other projects that are
20 going to benefit air quality for the region
21 and" --

22 CONGRESSMAN CASSIDY: So again, it's all
23 expensive, it's just a question of how you
24 allocate the dollars.

25 MR. VINCE: Yes.

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1 CONGRESSMAN CASSIDY: Because I think I know
2 a new garbage truck, which is LNG run, not diesel
3 run, is like \$100,000 or something. At one point
4 I knew this. These are the sort of things I once
5 knew, but no longer do. So it's fairly
6 expensive, but that would generate a lot of
7 credits presumably.

8 MR. VINCE: Presumably it could and then
9 those things could then be leveraged to do other
10 projects. But the idea being that across the
11 state, we are looking for projects that can help
12 to generate those kinds of reductions. That's
13 really hard.

14 You know, I use the analogy all the
15 time when I go talk to the local politicians, I'm
16 asking them to fix a pothole that is not in the
17 street yet. And that's the way that those guys
18 typically operate. You know, when there's a
19 problem, I fix it. Because they have limited
20 resources and they don't have all -- they don't
21 have everything they need to do this. And this

22 is a very complex issue that we are -- you know,
23 that they are being thrust into the middle of.

24 CONGRESSMAN CASSIDY: If our baseline is 60
25 parts per billion, there's no way we are going to

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1 get to 60 parts per billion no matter what we do.

2 MR. VINCE: That's exactly right. So if the
3 standard gets set down that low, at some point,
4 that's as far as we are going to ever be -- you
5 know, we may never be able to get there.

6 CONGRESSMAN CASSIDY: So there always will
7 be, despite what we do, there always would be
8 this tax that you refer to, Dr. Mason, your cost
9 of doing business will be elevated, encouraging
10 folks to either not build here or perhaps to not
11 expand here but rather elsewhere.

12 MR. VINCE: That's correct.

13 CONGRESSMAN CASSIDY: By the way, again,
14 going back to what you said, will this just be
15 something we muddle through and it's false
16 alarms. The reality is is that we cannot do a
17 controlled experiment where we don't do this and
18 we look at the prosperity, we do do it and we
19 look at the prosperity, but we know the power to
20 tax and the power to regulate is the power to
21 destroy. That is a principal of life.

22 And this is a power to regulate, which
23 effectively is a tax and what it destroys is
24 economic opportunities for working families,
25 those families having the hardest time right now.

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1 But the fact that it may never be realized allows
2 those who propose the regulation and tax to get
3 away with it. Thank you.

4 SENATOR VITTER: Thanks. I just want to
5 underscore this and make sure I understand it and
6 everybody hears it. So Mr. Vince, so the bottom
7 end of this proposed new requirement, the 60, the
8 bottom end, is background levels.

9 MR. VINCE: That is very, very close to what
10 we believe the background level is for Louisiana.

11 SENATOR VITTER: Background levels meaning
12 no significant human industrial activity.

13 MR. VINCE: Well, background level would be
14 that -- the level that is natural -- it's out
15 there. We will not be able to go -- we won't be

16 able to go below that.

17 SENATOR VITTER: Right. So that's what I'm
18 saying. You take all of civilization off the map
19 and that's the background level.

20 MR. VINCE: Yes.

21 SENATOR VITTER: I find that's fairly
22 startling, so I just wanted to make the point.
23 So the low end of what they are considering is
24 taking civilization off the map at that level.

25 DR. MASON: The low end of what they are

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1 considering now.

2 SENATOR VITTER: Correct.

3 DR. MASON: They could reduce that.

4 SENATOR VITTER: Correct. And, in fact, in
5 other categories, Dr. Mason, is it not true that
6 EPA in some other categories has gone below
7 background levels?

8 DR. MASON: Yes.

9 SENATOR VITTER: So who knows what the end
10 game is. Dr. Mason, one issue I brought up in my
11 opening remark is the CASAC review process.
12 That's a statutory requirement under the Clean
13 Air Act. CASAC is supposed to report to the
14 Administrator, among other things, on the adverse
15 economic impacts of attaining and maintaining any
16 certain standard.

17 I do not believe they are meeting that
18 statutory requirement. Can you comment on that
19 and what kind of economic impacts are supposed to
20 be included in that report which is statutorily
21 required?

22 DR. MASON: I know of very little in the way
23 of economic studies that are produced by the EPA
24 measuring the impact of their proposed
25 regulations, not only recently but across the

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1 past several decades. From my perspective, my
2 lay perspective in this arena, they seem to be
3 really ignoring those requirements.

4 SENATOR VITTER: Okay. Okay. We are going
5 to start to wrap up. I just want to outline the
6 path forward. As we have all been discussing,
7 there is a range out there that EPA is
8 considering. They are set to make a final rule
9 about specifics around December. I don't think

10 it's a coincidence that that's after the upcoming
11 election.

12 So after this election, they are going
13 to lay out a rule, which I think is clearly going
14 to be within this range, and from sources I have,
15 clearly in the lower end of the range. Then I do
16 want to point out, there is an opportunity for
17 Congress, it's difficult, but there's an
18 opportunity for Congress to block that rule with
19 a Resolution of Disapproval. And so that will be
20 an active process and an active debate in the
21 House and Senate that certainly I will be
22 involved in because of these huge negative
23 impacts in Louisiana.

24 We have gone through a much easier fire
25 drill before only with regard to Baton Rouge.

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1 This would be a much more stringent fire drill to
2 basically get us down to or near background
3 levels that would impact the whole state.

4 And I think it's just really the only
5 major threat in sight to a manufacturing
6 renaissance and economic boom that we are
7 otherwise set to have, including in the Baton
8 Rouge and river parishes area, as well as in
9 particularly southwest Louisiana. So I will
10 continue to be actively involved in this.

11 Bill, any closing comments?

12 CONGRESSMAN CASSIDY: This goes before
13 Energy and Commerce Committee. Obviously, we
14 will do it. Political aspect of it, obviously,
15 Senator Reid is going to approve these and so
16 frankly, David is being optimistic if he thinks
17 Congress can stop it. It will only stop it if it
18 flips. Fair statement?

19 SENATOR VITTER: Yes. I mean, it's up to
20 the next Congress, correct.

21 CONGRESSMAN CASSIDY: The next Congress.
22 But that said, there is a lot at stake. A lot at
23 stake. Folks who are at work right now, their
24 jobs may be on the bubble because of this. I
25 thank you all as well for being here. You have

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1 been very informative.

2 SENATOR VITTER: Great. Thank you all very
3 much. We are adjourned.

4 (Whereupon at 10:40 a.m. the briefing
5 concluded.)

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1 C E R T I F I C A T E

2 I, Dani Smith, Certified Court Reporter, in
3 and for the State of Louisiana, do hereby certify that
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19 In and for the State of Louisiana

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